



## Debt Planning



Shelby County,  
Tennessee  
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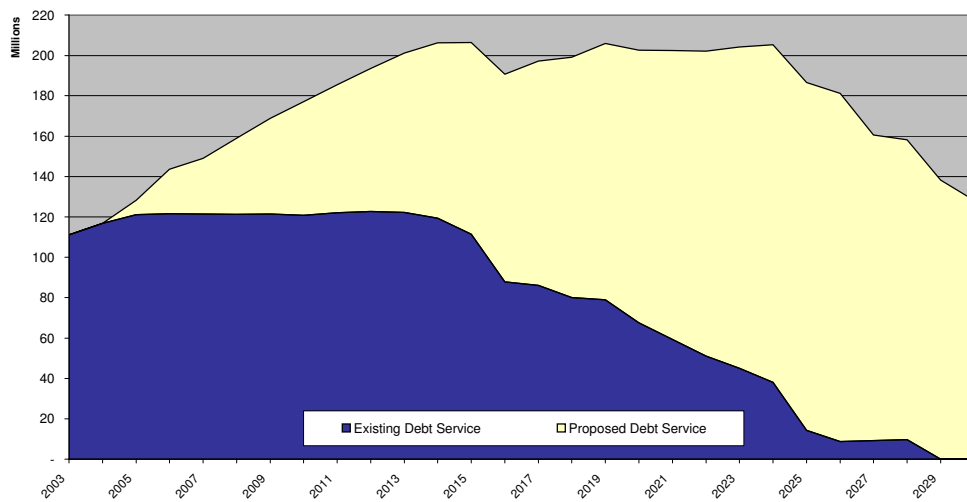
**Peak Debt Service**



## PEAK DEBT SERVICE Initial Estimates from December 2003



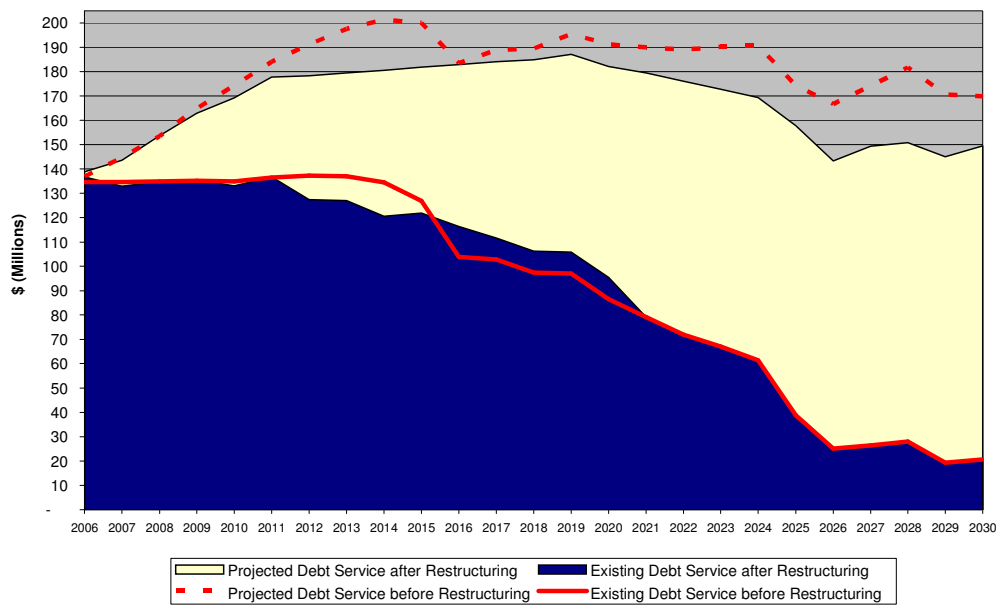
The County has worked aggressively to reduce its anticipated peak debt service. In December 2003, the administration presented an estimated peak of approximately \$205 million to the Commission.



## PEAK DEBT SERVICE 2005 Estimates



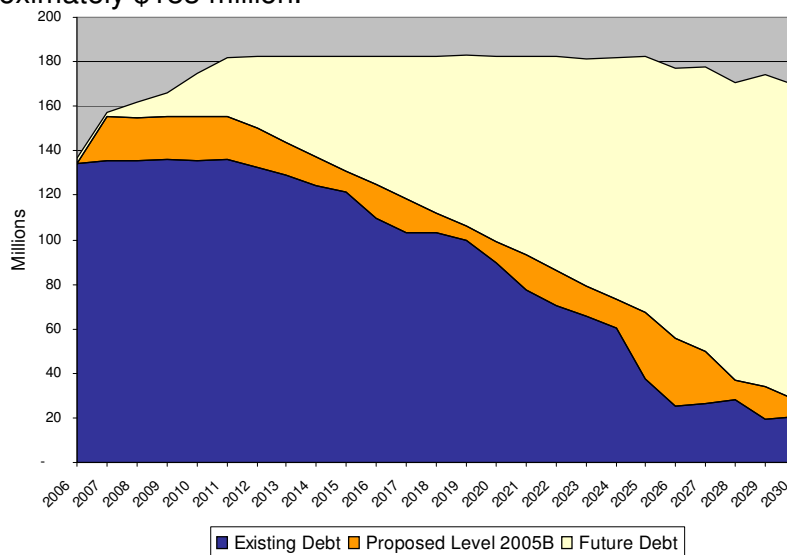
In January of 2005, the County Commission authorized a restructuring of the County's debt to reduce peak debt service from the expected \$205 million (red dashed line) to approximately \$187 million.



## PEAK DEBT SERVICE Current Commercial Paper Takeout



While we maintain a diligent watch on capital spending, we will continue to structure debt in such a way as to reduce peak debt service without postponing debt payments or negatively impacting our rating. The current commercial paper takeout is structured to reduce peak debt service to approximately \$183 million.



**Capital Planning**





## CAPITAL PLANNING FY2006 CIP and Debt Plans



### CIP

(millions)

FY2006 CIP Plan - Bond Requirement	\$ 158
Funding from February 2006 Bond Issue	<u>(109)</u>
EMCP or Carryforward at June 30, 2006	<u>\$ 49</u>

### Debt

EMCP Outstanding at June 30, 2005	\$ 141
EMCP Issued or To Be Issued in FY2006 through February 7, 2006	<u>109</u>
Total of General Obligation Bonds Proposed	<u>\$ 250</u>



## CAPITAL PLANNING FY2007 through FY2010 CIP and Debt Plans



### CIP

(millions)

EMCP/Carryforward at June 30, 2006	\$ 49
CIP Plan - Debt Requirement:	
FY2007	152
FY2008	79
FY2009	75
FY2010	73
Less initial payment to be received on approved swaps	<u>(12)</u>
Total CIP Plan Debt Requirement FY2007 - 2010	<u>\$ 416</u>

### Debt

Planned Debt Issues:	
April 2007	\$ 65
October 2008	133
October 2009	82
EMCP/Carryforward Outstanding June 30, 2010	<u>136</u>
Total Debt Requirement FY2007 - 2010	<u>\$ 416</u>

## CAPITAL PLANNING Outstanding Debt



Total as of June 30, 2005 from Audit Report:

Bonded Debt	\$ 1,537,189,948
EMCP	<u>141,000,000</u>
Total	<u>\$ 1,678,189,948</u>

Projected Highest Year End Total - June 30, 2007 \$ 1,831,000,000

Projected Total at June 30, 2010 \$ 1,787,000,000

## CAPITAL PLANNING

### Annual Cost of New Debt



Debt Service Requirements are Driven by Three Factors:

1. Amount of Debt Issued
2. Interest Rates
3. Repayment Schedule

Annual Debt Service Requirement for \$1,000,000 with level payments (similar to a mortgage) for 22 years at the following interest rates:

Interest rate of 4.5%	\$ 72,500
Interest rate of 5.0%	\$ 76,000
Interest rate of 5.5%	\$ 80,000

## Commercial Paper Takeout



## COMMERCIAL PAPER TAKEOUT

### Current Commercial Paper Takeout



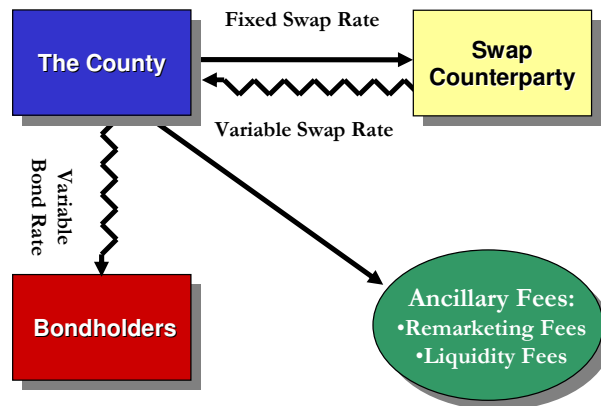
To accomplish peak debt service of \$183 million, the County is planning to structure Series 2006A and B in three components around its existing debt service:

- The first 10 years will be issued as fixed rate bonds through a competitive sale
- The remaining 15 years will be issued as variable rate bonds
- The variable rate bonds will be swapped to fixed rate through negotiated swaps with Goldman Sachs and Morgan Keegan

## COMMERCIAL PAPER TAKEOUT Floating-To-Fixed Swap (Synthetic Fixed)



The last 15 years of the commercial paper takeout (2006 Series B) will be a variable rate bond issue swapped to a fixed rate. Under the terms of the swap, the County will pay approximately 3.89% for the first 10 years, after which Goldman Sachs and Morgan Keegan will have the option to extend the life of the swap with the County paying approximately 4.61%. The variable rate received by the County will be BMA.



## COMMERCIAL PAPER TAKEOUT Swap vs. Traditional Fixed Rate Transaction



The three part structure of this transaction is expected to reduce debt service (interest) costs by approximately \$13 million relative to a traditional fixed rate bond issue. These "savings" will be guaranteed through about 2016, depending on the final terms of the swap agreement.

<b>Totals</b>	<b>413,723,025</b>	<b>400,477,163</b>	<b>13,245,862</b>
<b>FY</b>	<b>Fixed Rate</b>	<b>Fixed/Swap</b>	<b>Difference</b>
6/30/2007	20,630,267	20,007,461	622,806
6/30/2008	20,117,005	19,507,576	609,429
6/30/2009	19,661,230	19,068,001	593,229
6/30/2010	20,116,318	19,505,551	610,767
6/30/2011	20,116,068	19,505,301	610,767
6/30/2012	17,761,605	17,227,251	534,354
6/30/2013	14,652,955	14,208,976	443,979
6/30/2014	13,379,743	12,974,051	405,692
6/30/2015	10,052,980	9,745,851	307,129
6/30/2016	15,778,180	15,296,476	481,704
6/30/2017	15,348,618	14,887,635	460,983
6/30/2018	9,319,618	9,037,450	282,168
6/30/2019	7,622,253	6,659,410	962,843
6/30/2020	9,947,253	9,644,410	302,843
6/30/2021	15,911,003	15,431,055	479,948
6/30/2022	16,635,753	16,133,355	502,398
6/30/2023	13,613,253	13,199,000	414,253
6/30/2024	13,613,003	13,202,360	410,643
6/30/2025	30,550,253	29,626,745	923,508
6/30/2026	31,759,583	30,800,450	959,133
6/30/2027	24,198,628	23,468,265	730,363
6/30/2028	9,075,563	8,801,820	273,743
6/30/2029	15,124,953	14,667,915	457,038
6/30/2030	7,563,285	7,334,130	229,155
6/30/2031	21,173,663	20,536,670	636,993